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June 15, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-42, Reply Letter

Dear Ms. Cottrell:

In his brief, the Attorney General recommends that the Department immediately require Bay State to submit a long-range forecast and supply plan to the Department. The basis for this recommendation is his claim that Bay State, and other gas companies, should update their long-range forecasts every two years after their initial forecast filings.

Although not in the record of this proceeding, Bay State has indicated to the Department and the Attorney General that it intends to file its long-range forecast and supply plan in October 2006. See, Bay State's Reply Letter dated May 23, 2006, D.T.E. 06-7.

Furthermore, as Bay State indicated in the D.T.E. 06-7 proceeding, it has been the Department's practice to require gas companies to file long-range forecasts and supply plans within two years from the date of the Department's final order on a company's prior long-range forecast and supply plan. For example, KeySpan's prior long-range forecast was submitted for approval on November 30, 2001, and the Department issued an order on January 30, 2003 in which it directed KeySpan to file its next long-range forecast approximately two years after the order, by March 1, 2005. KeySpan Energy Delivery New England, D.T.E. 01-105. Fitchburg Gas & Electric Light Company submitted a long-range forecast on May 9, 2003, and the Department issued an order on that forecast on August 13, 2004 in which Fitchburg was directed to file its next long-range forecast with the Department approximately two years after the order, by June 30, 2006. Fitchburg Gas and Electric Light Company, D.T.E. 03-52. In a Berkshire Gas Company long-range forecast proceeding, the forecast was filed on March 15, 2002 and the Department issued an order on February 5, 2003 directing Berkshire to file its next long-range forecast with the Department by January 31, 2005, approximately two years after the order.

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Berkshire Gas Company, D.T.E. 02-17. The same procedure was followed for Blackstone Gas Company which submitted a forecast on October 25, 2000, and in an order dated May 4, 2001, the Department directed Blackstone to file its next long-range forecast and supply plan with the Department by May 1, 2003, two years after the order. Blackstone Gas Company, D.T.E. 00-81.

The Department's review of a long-range forecast and supply plans takes a number of months, and the procedure suggested by the Attorney General, where a company would file a forecast every two years without having the benefit of the Department's review and findings on the prior forecast, would be impractical and administratively unworkable. It would result in a pancaking of forecast filings without companies having the opportunity to review and modify their forecast plans based on the Department's analysis and orders on the prior plan. The procedure suggested by the Attorney General would also create additional cost and administrative burdens for the Department and all parties to a forecast proceeding and would make the orderly review of long-range forecasts and supply plans more complicated. In contrast, the current procedure allows the Department time to review a company's long-range forecast and supply plan and issue an order, and then allows a company time to respond to the Department's order in its next long-range forecast and supply plan.

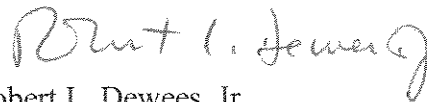
The Legislature recognized that some flexibility might be required with respect to the review of long-range forecast and supply plans by permitting the Department to exempt gas and electric companies from the provisions of M.G.L. c. 164, § 69I, after notice and hearing, if an alternative process would be in the public interest. The Department directives requiring the filing of forecasts two years after a final order in the prior forecast proceeding appear to be such an alternative and are issued after notice and comprehensive hearings on the forecast where the issues with respect to the contents of, and the appropriate time for, the next filing are considered. Furthermore, the Department has broad powers to establish rules consistent with M.G.L. Chapter 164. Cambridge Electric Light Company v. Department of Public Utilities, 295 N.E. 2d 876, 888 (1973). The Department's forecast filing rules are clearly consistent with an orderly and efficient review of gas company long-range forecast and supply plans.

In any event, the long-range forecast is only one of the items that the Department can refer to in determining that the acquisition of resources is consistent with a company's portfolio objectives, and there is clearly sufficient evidence in this proceeding and in recent proceedings conducted by the Department on Bay State's resource acquisitions to approve the Company's proposal.

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Therefore, Bay State requests that the Department deny the Attorney General's request with respect to long-range forecast filings and approve the proposed long-term storage agreement with Washington 10 Storage Corporation and the long-term transportation agreements with Vector Pipeline as set forth in Bay State's Petition and testimony presented in this proceeding.

Very truly yours,



Robert L. Dewees, Jr.

RLD/tlm

cc: John J. Geary, Hearing Officer (3 copies)
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